



State of Utah

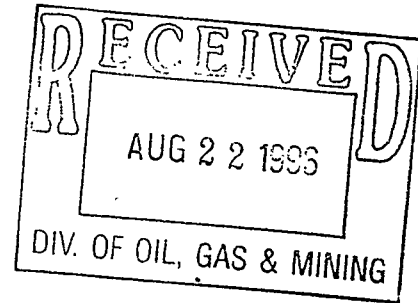
School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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801-538-5508
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June 25, 1996



Ashley Creek Phosphate Company
Foothill Station
P.O. Box 8031
Salt Lake City, Utah 84108

Re: ML-30662 & ML-30663
Uintah County, Utah
Diligence Requirements

Ladies and Gentlemen:

The School and Institutional Trust Lands Administration (the "Trust Lands Administration") has received a letter dated June 18, 1996, from Mr. Craig Smay, outlining the efforts of Ashley Creek Phosphate Company ("Ashley Creek") to bring the above referenced leases into production during the past year.

This letter is to advise you that the Trust Lands Administration will consider the information provided in the June 18, 1996, (research concerning phosphate ore, phosphate fertilizer prices, costs of production, development plan and development costs), as research that will satisfy the current lease year diligence requirements. Please submit the detailed information to the Trust Lands Administration as soon as possible, information marked as confidential will be protected under the Government Records Access and Management Act.

Our records indicate that Ashley Creek has filed a plan of operations for a large mine permit with the Division of Oil, Gas and Mining ("DOGM"). DOGM noted numerous deficiencies in the permit that Ashley Creek submitted, they also cited various baseline studies that must be performed before issuing a mining permit, including monitoring of water wells and air quality studies. The Trust Lands Administration is not aware of any effort by Ashley Creek to satisfy permit deficiencies noted by DOGM.

As you know, baseline information for ground water and air quality can take several years to establish. It is our understanding that Ashley Creek must obtain this information before additional mine plan information will be considered by DOGM. Therefore, as part of the diligence obligations for the next lease year, the Trust Lands Administration will require Ashley Creek to actively pursue resolution of outstanding DOGM permitting requirements.



Ashely Creek Phoshpate Company

June 25, 1996

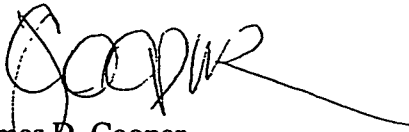
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Please be aware that on or before June 30, 1997, Ashley Creek must submit proof to the Trust Lands Administration that they made a reasonable attempt to satisfy the permit requirements to qualify for an additional one year extension of the subject leases. Further, our records show that they have not informed the Trust Lands Administration on a consistent basis regarding access to the Chevron/Simplot pipeline and pending litigation. Therefore, in addition to other lease requirements, as part of next years diligence obligation, the Trust Lands Administration will also require quarterly status reports of Ashley Creek's efforts to gain access to the pipeline.

The Trust Lands Administration looks forward to receiving the detailed marketing research that Ashley Creek has done. If you have any additional questions regarding Ashley Creek's obligations for the next lease year, or about any other matter please feel free to contact me.

Sincerely,

School and Institutional Trust Lands Administration

A handwritten signature in dark ink, appearing to read 'J. Cooper', with a long horizontal line extending to the right.

James D. Cooper
Assistant Director, Minerals

cc: Mr. E. Craig Smay, P.C.
174 East South Temple
Salt Lake City, Utah 84111